

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 978

INFO USDOC WASHDC

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

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USNATO 901

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E.O. 11652: NA

TAGS: EALR, EGEN, CZ

SUBJECT: ECONOMIC PERFORMANCE DURING FIRST SIX MONTHS OF SIXTY FYP

REFS A. PRAGUE 2527 B. PRAGUE A-31

1. SUMMARY: EMBASSY SUMMARIZES AND COMMENTS ON GOC STATEMENTS ON ECONOMIC PEERFORMANCE DURING JANUARY-JUNE 1976 AS SIXTY FYP BEGINS. (AGRICULTURE AND FOREIGN TRADE COVERED SEP TELS.)
OVERALL INDUSTRIAL PRODUCTION UP 6.0 PERCENT OVER FIRST HALF 1975. ENGINEERING AND CHEMICAL SECTORS ABOVE COVERAGE. SECTORAL PERFORMANCE CITED. DESPITE SOME GOOD NEWS, PROBLEMS REMAIN. PRODUCTIVITY GROWTH CLAIMS SEEM DUBIOUS.
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POOR QUALITY, WASTE AND CONSUMER DISSATISFACTION APPEAR TO

BE INTRACTABLE. THINGS NEITHER WORSE NOR FUNDAMENTALLY IMPROVED DURING FIRST HALF 1976. END SUMMARY.

2. IN RECENT WEEKS, GOC HAS RELEASED REPORT ON ECONOMIC DEVELOPMENT AND PLAN FULFILMENT (TEXT BEING SENT UNDER COVER OF AIRGRAM) AND OTHER MORE RECENT STATEMENTS WHICH SHED SOME LIGHT ON CZECHOSLOVAK ECONOMIC PERFORMANCE DURING FIRST SIX-MONTHS OF 1976.

THIS TELEGRAM IS INTENDED TO SIFT MOST SIGNIFICANT STATISTICS FROM PILE OF PUBLISHED NUMBERS AND TO DRAW SOME CONCLUSIONS ON HOW ECONOMY HAS FARED SINCE LAST ECONOMIC TRENDS REPORT (REF B) AS SIXTH FIVE-YEAR PLAN GETS UNDERWAY. AGRICULTURE AND FOREIGN TRADE, BEING COVERED SEPTELS, INCLUDING REF A.

3. AS USUAL, OFFICIAL PRONOUNCEMENTS INDULGE IN RITUAL SELF-CONGRATULATIONS, SUPPORTED BY PLETHORA OF NUMBERS AIMED AS MUCH AT OBFUSCATION AS ENLIGHTENMENT. CRITICAL REMARKS ARE SOFT-PEDALLED, MAKING PRECISE ANALYSIS OF ECONOMIC PROBLEMS PARTICULARLY DIFFICULT.

4. GOOD NEWS (FROM GOC POINT OF VIEW): OVERALL PRODUCTION ROSE BY 6.0 PERCENT DURING JAN-JUNE, 1976 COMPARED TO SAME SIX MONTHS OF 1975, 0.5 PERCENT HIGHER THAN PLANNED. BUILDING WORK VOLUME ROSE 6.4 PERCENT. IN ACCORD WITH FYP, INDUSTRIAL OUTPUT GREW FASTER IN SLOVAK REPUBLIC (6.9 PERCENT) THAN IN CZECH REPUBLIC (5.7 PERCENT). ABOVE AVERAGE OUTPUT INCREASES WERE ACHIEVED BY THE ENGINEERING AND CHEMICAL SECTORS, BOTH OF WHICH RECEIVE SPECIAL EMPHASIS UNDER SIXTH FYP. GOOD PERFORMANCES WERE REGISTERED BY VARIOUS INDUSTRIES (GLASS, CERAMICS AND PORCELAIN AND CELLULOSE AND PAPER) WHICH UTILIZE DOMESTIC RAW MATERIALS. INDUSTRIES WITH THE HIGHEST PERCENTAGE INCREASES IN PRODUCTION OVER THE FIRST HALF OF 1975 INCLUDE: GAS 19.3; GLASS, CERAMICS AND PORCELAIN 9.4; ENGINEERING 9 (INCLUDING NUMERICALLY-CONTROLLED MACHINE TOOLS 31.7; DIGITAL COMPUTERS 30, CHEMICAL INDUSTRY MACHINERY 12.8, TEXTILE MACHINERY 10.4, TRUCKS 10.2); FURNITURE

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11.4; FARM MACHINERY 10.8; CHEMICAL 9 (INCLUDING GASOLINE FOR AUTOS 14.4, OIL PROCESSED BY PETROCHEMICAL INDUSTRY 12.1, CELLULOSE AND PAPER 8.6, PROCESSING OF RUBBER AND PLASTICS 8.3, CHEMICAL FIBRES 7); AND BUILDING MATERIALS 6.5.

5. NOT SO GOOD NEWS: LESS IMPRESSIVE OUTPUT GROWTH WAS REGISTERED BY: OVERALL CONSUMER GOODS 5.1 (INCLUDING

CLOTHING 5.6, FOOTWEAR 4.0, AND
TEXTILES 2.8); OVERALL METALLURGY 4.4 (INCLUDING
EXTRACTION AND PROCESSING OF ORES 5.6, NON FERROUS
METALLURGY 4.0 AND FERROUS METALLURGY 4.4;
ELECTRICITY 5.2; COAL AND LIGNITE 4.1 (INCLUDING
BLACK COAL 2.0 AND BORWN COAL AND LIGNITE 4.8);
ROLLED STEEL 5.5 AND CRUDE STEEL 1.3; PRIVATE
AUTOS 3.5; AND FOOD 0.6.

6. BAD NEWS: PUBLISHED MATERIAL BRIEFLY NOTED
SEVERAL SPECIFIC PROBLEMS, MOST NOTABLY: CEMENT
PRODUCTION FELL BY 3.5 PERCENT (THE ONLY DECREASE
OUT OF 22 NON-FARM PRODUCTS SPECIFICALLY LISTED
WITH OUTPUT TOTALS); PUBLIC FREIGHT TRANSPORTED
EXCEEDED FIRST HALF OF 1975 BUT TOTALLED ONLY
99.3 PERCENT OF THE PLANNED LEVEL (APPARENTLY
RAIL TRANSPORT ALONE ACCOUNTED FOR THIS NON-FULFILLMENT
OF THE PLAN); INDUSTRIAL PLANT CONSTRUCTION WAS ALSO
BELOW TARGET; BREAK-DOWN IN ELECTRIC POWER GENERATING
FACILITIES (STEAM) EVIDENTLY WAS EVEN MORE SERIOUS
THAN IN 1975; APPARTMENT CONSTRUCTION FELL
BELOW THE HIGH LEVELS OF FIRST HALF 1975, AND ONLY
40.8 PERCENT OF THE ANNUAL TARGET FOR NEW HOUSING
WAS MET DURING JANUARY-JUNE (COMPARED TO 41.3
PERCENT FOR SAME PERIOD LAST YEAR); AND CONSUMER
DEMANDS AS REGARDS QUALITY, TECHNICAL STANDARDS,
RANGE AND VARIETY OF PRODUCTS WERE NOT FULLY
SATISFIED. MORE GENERALLY, UNNAMED "INDIVIDUAL
ENTERPRISES DID NOT FULFILL THEIR PRODUCTION TASKS
EVENLY", ESPECIALLY IN ENGINEERING AND FOOD INDUSTRIES.
ALSO, SUPPLIER-CONSUMER RELATIONSHIPS WERE "ADVERSELY
INFLUENCED BY UNEVEN FULFILLMENT" OF SOME UNSPECIFIED
PRODUCTION TASKS. DISTRIBUTION BOTTLENECKS, UNFINISHED
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CONSTRUCTION PROJECTS, LOW QUALITY AND NON-
AVAILABILITY OF CONSUMER AND INDUSTRIAL PRODUCTS AND
WASTE OF FUEL, RAW MATERIALS AND FOOD OBVIOUSLY CONTINUE
TO BE SERIOUS PROBLEMS.

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7. PRODUCTIVITY: REPORTEDLY, INDUSTRIAL LABOR
PRODUCTIVITY ROSE BY 5.4 PERCENT IN FIRST HALF 1976
OR .09 PERCENT HIGHER THAN PLANNED. HOWEVER, GIVEN
THE CONTINUED EXHORTATION BY CZECHOSLOVAK LEADERS
ON THE NEED FOR HIGHER PRODUCTIVITY GAINS --IF STABLE
PRICES ARE TO BE MAINTAINED--AND THE
DISAPPOINTING EXPORT PERFORMANCE OF CZECHOSLOVAK
INDUSTRIAL GOODS IN WESTERN MARKETS, THIS CLAIM
SEEMS DISTINCTLY UNIMPRESSIVE.

8. CONCLUSIONS: AFTER THE EXERTIONS OF 1975 TO
FULFILL THE FIFTH FYP IN THE FINAL YEAR, CZECHOSLOVAK
INDUSTRY WILL REQUIRE TIME TO BUILD UP
MOMENTUM AGAIN. FIRST HALF 1976, THEREFORE, PROBABLY
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SAW A RESPECTABLE PERFORMANCE BY MOST SECTORS
(6 PERCENT RISE IN INDUSTRIAL OUTPUT COMPARES FAVORABLY
WITH PREVIOUS YEARS). HOWEVER, GIVEN
HIGHLY SELECTIVE NATURE OF PUBLISHED STATISTICS, IT
IS HARD TO BE SURE EVEN OF THIS. WHAT DOES SEEM CLEAR, DESPITE GOC

BOASTS, IS THAT CZECHOSLOVAK
ECONOMY CONTINUES IN SAME RUT AS BEFORE.
AGRICULTURAL AND FOREIGN TRADE DISAPPOINTMENTS (SEPTELS)
REINFORCE THIS IMPRESSION. LOW LABOR PRODUCTIVITY,
POOR QUALITY OF OUTPUT, INEFFICIENT USE OF FUEL AND
RAW MATERIALS AS WELL AS MANPOWER, AND CONSUMER
DISSATISFACTION APPEAR TO BE SAME INTRACTABLE
PROBLEMS, GIVEN PREVAILING ECONOMIC AND POLITICAL
CONSTRAINTS, AT OUTSET OF NEW FYP THAT THEY WERE
DURING EARLIER PLANS. THINGS DID NOT GET APPREICABLY
WORSE DURING FIRST HALF, BUT NEITHER WAS
ANY FUNDAMENTAL IMPROVEMENT DETECTABLE.
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